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RUEHVK/AMCONSUL VLADIVOSTOK 2239
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UNCLAS SECTION 01 OF 02 MOSCOW 003339

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DEPARTMENT FOR OES/STC (DAUGHARTY), EUR/RUS (SIKKORA, GREENSTEIN),
EB/CIP/MA (GIBBS)

E.O. 12958: N/A

TAGS: [EINT](#) [ECPS](#) [ECON](#) [TINT](#) [RS](#)

SUBJECT: Moscow Wi-Fi: Hotspots Amid an Internet Trend

MOSCOW 00003339 001.2 OF 002

11. SUMMARY: Internet in Russia is slowly gaining ground across the country, albeit impeded by limited provision of broadband service and lack of personal computers. Wireless and high-speed Internet is taking hold in larger cities such as Moscow and St. Petersburg. Wi-Fi hotspots are increasingly visible throughout Russian cities. As disposable income grows, even more users will acquire computers and access to the Internet. END SUMMARY

Regular Internet

12. In March 2007, there were an estimated 23.7 million Internet users in Russia (representing 16.5 percent of the population according to Internet World Statistics). This was up by 664.5 percent compared to 2000. Internet use is highest among students (51 percent), top managers (45 percent), and qualified specialists (41 percent).

13. The number of broadband subscribers in Moscow passed the 1.2 million mark in the first quarter of 2007, as reported in Kommersant, quoting the research company IKS Consulting. This represented a 15 percent increase in comparison with the fourth quarter of 2006, equivalent to 160,000 new customers. Forty percent (600,000 households) of all home Internet users in Moscow connect via dial-up, according to the business newspaper RBK (Russian Business Consulting). Half of these users are reported to be satisfied with the service. Almost 30 percent of dial-up users in Moscow, representing approximately 150,000-170,000 potential customers, say they would switch to broadband if it were available -- which, due to technical issues, it is not.

14. Analysts predict that Internet providers should expect their customer numbers to rise continuously, as the Internet penetration rate in Moscow has just reached 30 percent. It will take approximately three years to reach a market saturation point of 70-90 percent. Corbina Telecom (a domestic alternative telecommunications operator) predicts that within two years some 90 percent of all Internet connections in Moscow will be broadband-based.

15. Dial-up Internet in Moscow remains slow and difficult. With the advent of high-speed Internet connection, many websites have upgraded their graphics, pictures, and fonts to be compatible with broadband or high-speed Internet use. Dial-up users are left waiting minutes, sometimes hours, for websites to load -- many of which never do, according to anecdotal reports. Newer model computers capable of high-speed Internet operation are less

productive than they could be due to shortcomings with Internet access.

¶6. The use of laptop computers in Russia is limited. They are an expensive purchase and are primarily used by businessmen and students. The Russian Internet Forum, which held a conference April 5-6 in Moscow, was attended by over 1,000 Internet entrepreneurs and computer specialists, almost all of whom brought their own laptops. Many Russians either own one household desktop computer, or they access the Internet at work. Older model computers are not compatible with high-speed Internet because they cannot process information quickly enough.

Wireless Internet

¶7. Wi-Fi has become increasingly popular throughout the country in recent years. Wi-Fi is an example of Wireless Local Area Network (WLAN) where users with wireless capability are able to access a network. Requiring no plug or cord, wireless Internet is quick and convenient. Wireless Internet works like an invisible bubble. If individuals are located within the bubble, they can connect so long as they have the correct password and computer capability. A wireless card located within the laptop or desktop computer will enable a user to access wireless Internet. Depending on the environment and usage patterns, wireless Internet varies from user to user. Desktop computers are more likely to be on a wireless network if they are in a large, public Internet caf or in a residential setting. Mobile settings, such as busy restaurants and cafes, are more likely to be used by clients with laptops.

¶8. Moscow has the highest concentration of Internet access in the country. Currently, 61 percent of all Internet hotspots -- venues that offer Wi-Fi access -- are located in the capital city. Many other cities within Russia have hotspots also: Saint Petersburg

MOSCOW 00003339 002.2 OF 002

(106), Novosibirsk (37), Yekaterinaburg (34), Tolyatti (28), Vladivostok (24), Izhevsk (23), Rostov-on-Don (17), Samara (17), Chelyabinsk (15), and Perm (13). Thirty-two percent of the hotspots in Russia are free of cost; however, many areas in Moscow require payment.

¶9. There are approximately 290 total hotspots within the city of Moscow serviced by a few providers. There are 206 wi-fi hotspots supported by the company Yandex in Moscow (www.yandex.ru). Most of the Yandex-supported hotspots are in restaurants or cafes (173) and usage is free with the purchase of food. Yandex hotspots are also located in car dealerships (11), movie theaters (5), beauty salons (5), and a shopping complex (1). Additionally, Internet cafes are scattered throughout the city. They charge per hour or per amount downloaded.

¶10. A select few metro stations have wireless Internet available within the station itself; however, this is mainly for the use of Internet via mobile devices such as Internet-enabled telephones. Currently, Comstar's wi-fi service is available in three underground metro stations - Okhotniy Ryad, Teatral'naya and Ploschad' Revolyutsii. There are currently 21 hot spots covering an area of two square kilometers, including waiting halls, passages, escalators and entrance halls. Tunnels between stations are not yet covered by this network. Comstar claims that the network capacity allows for the simultaneous access of 48 users at a speed of 128 Kbps, and that it plans to increase network capacity following increased demand for the service. Service is pre-paid per minute through MTC SMS services or pre-paid wireless Comstar cards. Mobile phones in Russia are cheaper and more accessible than mobile phones in the United States; Internet providers are already looking to a future of Internet-ready mobile phones.

¶11. Another company, Golden Telecom, has also launched wireless Internet services around the center of Moscow. Certain areas of the service are free to access; other areas require subscription to the Golden Telecom service.

¶12. COMMENT: Wireless Internet in Russia is just beginning to come on-line, but appears to have a bright future. The number of Internet users continues to rise across the country. In order to promote computer literacy, the GOR, through the Ministry for Information Technologies and Communications and the Ministry of Education and Science, has instituted a new program to provide every school in Russia with computer access by the beginning of the 2007-2008 school year. Additionally, the government hopes to put computers in every town (mostly in the Post Offices) in order to reach a broader audience. The increase in disposable income will provide more citizens access to computer technology via home computers and personal laptops.

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